

Monthly Market Commentary

March 2020 Recap

Stocks retreated in March, with U.S. benchmarks posting their worst monthly performance since the 2008 Financial Crisis as the coronavirus pandemic reverberated through the global economy. Nearly every asset class experienced extreme volatility, as investors hoped unprecedented monetary and fiscal stimulus measures would help counter the economic fallout from COVID-19. At the height of the sell-off, the S&P 500 fell more than 30% below its February record high, emphatically ending its historic 11-year bull market. Oil prices plunged to the lowest level in nearly two decades, while demand for perceived safe haven assets sent Treasury prices surging. A \$2 trillion fiscal stimulus package and extraordinary monetary stimulus from the Federal Reserve helped the S&P 500 stage a torrid month-end rally, with the index finishing March just 12.5% lower. The Dow retreated 13.7%, while posting an average daily move of more than 5.0%. The Tech-heavy Nasdaq Composite slid 10.1% for the month.

Investors struggled to assess the economic repercussions from the COVID-19 pandemic as confirmed cases of the virus surged around the globe and an increasing number of states issued “shelter in place” orders. Further, a surprise 50 basis point rate cut from the Federal Reserve early in the month failed to boost sentiment. The perceived “risk off” tone sent the entire Treasury yield curve below 1%, and the 30-year bond rate below the S&P 500 dividend yield for the first time ever. The CBOE Volatility Index (VIX), Wall Street’s so-called “fear gauge,” surged above the previous all-time high set in 2008, and remained elevated for most of the month. The uncertainty inspired a swift fall in equities, with the major averages plunging into bear market territory (marked by a 20% descent from a recent high). The sell-off touched nearly every corner of the market as investors favored cash. COMEX gold experienced its worst five-session run in nearly 40 years at the height of the rout, while the yield on the 10-year note traded as high as 1.27% from its earlier month record intraday low of 0.31%.

The Federal Reserve bolstered their intervention mid-month, enacting another emergency rate cut by lowering the Fed’s benchmark interest to near 0%. Additionally, the central bank announced unlimited quantitative easing to shore up market liquidity, boosting its balance sheet above \$5 trillion for the first time in history. Meanwhile, lawmakers in Washington moved quickly to pass a historic \$2 trillion fiscal stimulus package aimed at helping citizens and businesses deal with the economic consequences of the outbreak. Treasuries stabilized, with the 10-year note yield ending March 49 basis point lower at 0.67%, while gold rebounded to notch a

monthly gain of 1.1%. Stocks staged a historic rally in the final week of the month, with the Dow posting its best three-day performance since 1931. Despite the reprieve, stocks posted their third consecutive month of declines to cap the worst quarter for global equities since the 2008 Financial Crisis. All three major averages posted double-digit declines for the January-March period, with the Dow experiencing its worst first-quarter performance in history (-23.2%).

Data updates in March began to show the negative economic implications of COVID-19. Initial jobless claims surged to 3.2 million in the week ending March 21st, representing roughly 2% of the U.S. labor force and quadruple the prior record high from 1982. This was in sharp contrast to the February monthly jobs report, which revealed the nonfarm payrolls jumped the most since May 2018. January's figure was also upwardly revised, adding credence to the notion of a robust labor market before the coronavirus outbreak escalated. March's souring mood was also captured in the University of Michigan's gauge of consumer sentiment, which experienced its largest monthly drop in more than a decade. Separately, a composite gauge of U.S. business activity fell by the most since October 2009.

All 11 S&P 500 sectors ended March in negative territory, with eight groups recording double-digit declines. Energy stocks led the losses with a 35% slump, as West Texas Intermediate (WTI) crude tumbled to an 18-year low as an escalating price war between Russia and Saudi Arabia threatened to flood markets with excess supply. Industrials also underperformed with the S&P 500 airliners subsector dropping 35.9%. Boeing was whipsawed after publically seeking more than \$60 billion in private and public funding to meet its liquidity needs. Shares plunged more than 60% before paring back its monthly loss to 45.8%. Financials underperformed as well, losing 21.5% as falling yields weighed on lender profitability. Health Care stocks outperformed, slipping just 4%. Managed care providers boosted the sector as the probability of "Medicare of All" materially subsided after moderate Joe Biden overtook the lead from Bernie Sanders for the Democratic presidential nomination.

Disclaimers

Ticker	Price
BA	149.14

Pricing as of market close on March 31, 2020 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security.

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Index Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.

The S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Chicago Board Options Exchange (CBOE) Volatility Index (VIX) reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes.

U.S. Markets		Price Return (%)		Total Return (%)		
Index	Close	March	March	February	1st Qtr	
S&P 500	2584.59	-12.51	-12.35	-8.23	-19.60	
Dow Jones Industrial Average	21917.16	-13.74	-13.62	-9.75	-22.73	
Nasdaq Composite	7700.10	-10.12	-10.03	-6.22	-13.91	
S&P 400 Mid Cap	1443.40	-20.43	-20.25	-9.49	-29.70	
S&P 600 Small Cap	684.84	-22.60	-22.40	-9.61	-32.65	

U.S. Sector Performance		Price Return (%)		Total Return (%)		
Index	Close	March	March	February	1st Qtr	
Communications Services	150.35	-12.20	-12.14	-6.34	-16.95	
Consumer Discretionary	793.11	-13.39	-13.24	-7.56	-19.29	
Consumer Staples	560.33	-5.86	-5.39	-8.11	-12.74	
Energy	223.40	-34.97	-34.79	-14.56	-50.45	
Financials	346.02	-21.48	-21.32	-11.19	-31.95	
Health Care	1032.90	-3.98	-3.82	-6.67	-12.67	
Industrials	499.12	-19.29	-19.18	-9.32	-27.05	
Information Technology	1414.36	-8.71	-8.64	-7.28	-11.93	
Materials	283.23	-14.35	-14.06	-8.39	-26.13	
Real Estate	192.64	-15.40	-14.95	-6.34	-19.21	
Utilities	281.77	-10.22	-10.01	-9.88	-13.50	

International Markets		Price Return (%)		Total Return (%)		
Index	Close	March	March	February	1st Qtr	
U.K. FTSE 100	5671.96	-13.81	-13.43	-9.20	-24.03	
Germany DAX	9935.84	-16.44	-16.44	-8.41	-25.01	
France CAC 40	4396.12	-17.21	-16.99	-8.55	-26.15	
Spain IBEX 35	6785.40	-22.21	-22.09	-6.86	-28.60	
Italy FTSE MIB	17050.94	-22.44	-22.43	-5.39	-27.17	
Greece ATHEX	558.30	-22.50	-22.49	-20.92	-38.76	
MSCI Emerging Market	848.58	-15.61	-15.41	-5.26	-23.59	
Shanghai Composite	2750.30	-4.51	-4.51	-3.23	-9.83	
Japan Nikkei 225	18917.01	-10.53	-9.76	-8.82	-19.29	
Hong Kong Hang Seng	23603.48	-9.67	-9.53	-0.66	-16.12	
Brazil Bovespa	73019.80	-29.90	-29.90	-8.43	-36.86	
Russia Micex	2508.81	-9.92	-9.90	-9.44	-17.38	
India Sensex	29468.49	-23.05	-22.85	-5.93	-28.35	

Treasuries			Historical Yields		
Maturity	March Ask Yield	February	January	December	November
2-Year	0.25	0.91	1.31	1.57	1.61
5-Year	0.38	0.94	1.31	1.69	1.63
10-Year	0.67	1.15	1.51	1.92	1.78
30-Year	1.32	1.68	2.00	2.39	2.21

Municipal Bonds		Price Return (%)			
Maturity	Close	March	February	January	1st Qtr
S&P Municipal Bond Index	260.58	-3.34	1.21	1.63	-0.58
S&P Muni Bond Long Intermediate	272.01	-3.25	1.11	1.80	-0.42
S&P Muni Bond Intermediate	258.60	-3.00	0.97	1.62	-0.47
S&P Muni Bond Short	175.62	-0.93	0.26	0.51	-0.16
S&P Muni Bond Investment Grade	258.10	-2.94	1.16	1.60	-0.24
S&P Muni Bond High Yield	300.22	-9.11	1.90	1.98	-5.55
S&P Muni Bond General Obligation	252.34	-2.48	1.13	1.61	0.21

Commodities		Price Return (%)			
Front Month Futures	Close	March	February	January	1st Qtr
CRB Index	121.79	-23.62	-6.38	-8.33	-34.45
Oil/bbl	20.48	-54.24	-13.19	-15.56	-66.46
Natural Gas	1.64	-2.61	-8.53	-15.90	-25.08
Gold	1583.40	1.07	-1.02	3.93	3.96
Silver	14.16	-13.61	-9.02	0.51	-21.01
Copper	222.80	-12.49	1.15	-10.01	-20.34
Nickel	11443.00	-6.21	-4.58	-8.46	-18.08

Foreign Exchange		Price Return (%)			
Currency	Close	March	February	January	1st Qtr
Dollar Index	99.05	0.93	0.76	1.04	2.76
Euro/USD	1.10	0.05	-0.60	-1.07	-1.62
USD/Yen	107.54	-0.32	-0.42	-0.24	-0.99
GBP/pound/USD	1.24	-3.14	-2.90	-0.38	-6.31
USD/CAD	1.41	4.89	1.28	1.90	8.25
USD/Krona	9.91	3.13	-0.21	2.77	5.77
USD/Swiss Franc	0.96	-0.39	0.16	-0.33	-0.57

Source: Bloomberg

*All prices as of the close March 31, 2020

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